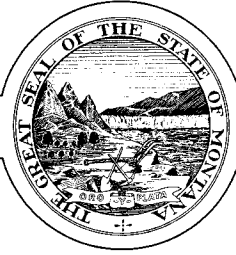


# PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION

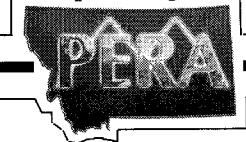


BRIAN SCHWEITZER  
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February 1, 2011

Representative Pat Ingraham and  
House State Administration Committee  
Montana House of Representatives  
Capitol Building  
P.O. Box 200400  
Helena, MT 59620-0400

EXHIBIT #2  
DATE Feb 1st  
122

Dear Chairwoman Ingraham and House State Administration Committee:

The Public Employees' Retirement Board (Board) requests your support of House Bill 122. This bill proposes benefit and funding changes to the Public Employees' Retirement System (PERS).

The economy has had a devastating effect on the retirement plans. The market down-turn is so severe and lengthy that it will take a long time to recover. Fortunately, public pension plans are designed to weather market ups and downs over the long-term.

The Board recognizes the efforts of hard-working public employees. We were reluctant to diminish the plan. However, the Board has a fiduciary responsibility to ensure the plan will continue to exist in order to provide stable retirement benefits for our members.

The Board studied the PERS funding issues over the past 1½ years. We asked our actuary to cost different plan design alternatives. Our objectives were to address the funding shortfall while ensuring a long-term sustainable defined benefit plan for our public servants.

After much struggle and discussion we determined that the provisions presented in this bill set PERS on the right course to address the long-term funding, while addressing the concerns of the current plan: increased mortality, the ability to increase retirement benefits through salary increases in the last three years, and the perception that government employees are receiving lucrative benefits. We feel our solution does just that. We also feel that our proposal is the best proposal submitted.

One very important piece of this legislation requires the Board to review the contribution rates of both members and employers and propose changes to the Legislature. This is critical because it addresses the inability to change current member contributions. This legislation ensures the contract at the date of hire allows the member rate to be adjusted, as well as the employer rate. Through this provision and the other provisions stated above, new hires "share the pain" for market conditions that are beyond our control.

Representative Pat Ingraham and House State Administration Committee  
February 1, 2011  
Page 2 of 2

Thank you for considering our proposal. Our staff is at your service and they are more than willing to answer questions and provide you the information you need to make informed decisions.

Sincerely,

A handwritten signature in cursive script, appearing to read "John Nielsen".

John Nielsen, President  
Montana Public Employees' Retirement Board